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presents

The Lukashenkas
(There Could Be More Than One)

Analysis¹

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Introduction

The bombing accident at the Independence Day celebrations on July 3, 2008, only reinforced speculation that Belarus is experiencing a transition whose results are likely to be determined by the country's enigmatic leader, Aliaksander Lukashenka. This new analysis from the Belarus Public Policy Fund series outlines the segments of the regime which are crucial for the current transformation of Belarus, whilst examining the central role of the Lukashenka family.

The current trend indicates the political situation to be firmly in the hold of Lukashenka. Aliaksander has however, attached his eldest son Viktor to the power holding; one which can be clearly named *the Lukashenkas*. As Belarus approaches the 2011 presidential election, it looks likely Belarusians will elect either Lukashenka or his eldest son Viktor. As the current state of affairs stands, the overwhelming majority of voters are expected to react either positively or indifferently to either scenario. According to various public surveys, less than 10% of Belarusian voters are interested in opposition activities, whilst their evaluation of these activities are mainly negative.

As surprisingly as it may sound for external observers, Belarus has a reasonably well-prepared economic management system and uses its existing resources (relatively) effectively. Based on the current economic outlook, Lukashenka will be able to keep hold on favorable socio-economic conditions in Belarus. External prerequisites (developments in foreign markets, real energy prices) will ensure a GDP growth of up to 8-10%, which is enough to increase salaries at a satisfactory level and thus continue to maintain the social contract with the people.

Paradoxically, with a successful transition, the Belarusian "liberal" authoritarian model is becoming stronger. In the "new economic nationalism", foreign investments, nomenclature privatization, a stronger position of technocrats and the weakening influence of "siloviki" are all important features. These trends may also predetermine Western influence in Belarus. The key question now remains whether the Lukashenkas will be able to handle the Belarusian elite through the current transition, whilst simultaneously keeping the ever-present Russian influence at bay.

Siloviki: Fading Positions

Looking at the structure of the current Belarusian ruling elite, it can be observed that the post-2006 trend has been defined by a weakening influence of the "siloviki"² led by the (already) former Security Council Chairman Viktor Sheyman and the strengthening of the position of the so-called "technocrats"³. While there are various reasons for this trend, the most important seem to be the following:

- Due to Russia's subsidy cuts and increased energy prices there has been a strong need for the modernization of the economy. Lukashenka has thus had to resort to the help of Prime Minister Syarhei Sidorsky and his team of technocrats.
- Lukashenka's elder son, Viktor has played a significant role in this process. He provided support to the "technocrats" in their struggle for stronger position.

² Rooted in the Russian word for 'power', the Siloviki can be loosely defined in terms of the more criminal elements of the elite, who hold backing from the security forces / KGB

³ The 'technocrats' are those parts of the elite who hold great business and economic power, with interests in keeping political influence to ease their path to wealth gains. They are deemed to be pragmatists. In Belarus, these could be identified as officials of the National Bank, Ministry of Economy, Ministry of Foreign Affairs and others

- The key role of (former) Security Council chief Sheyman has now changed, with his personal influence and that of the siloviki, diminishing substantially.

Viktar Lukashenka is strongly interested in retaining and enhancing his control over Belarus' major financial assets, which include state enterprises and large commercial companies such as "mediator companies", which function on the basis of state industrial enterprises. He has never faced conflicts with the "technocrats", but rather has enjoyed close cooperation with them. However, his and his father's relationship with the "siloviki" have begun to deteriorate markedly. Evidence for this is abundant, with the following giving a brief outline of the series of events in this complex process.

- In the spring of 2007, Belarusian siloviki unintentionally infringed on Viktar Lukashenka's economic interests by interfering in a lucrative property deal. KGB agents apprehended the senior managers of a large construction company involved in the development of a prestigious residential area in Minsk and gave them two options: economic criminal charges or build 3 000 sq.m of "elite" living premises at a higher than market cost, with a part of the development reserved for KGB officials. This did not sit well with the President's son.
- As a reaction to this, in May-June 2007, the State Control Committee (SCC)⁴ conducted a thorough audit of a number of gas stations and commercial firms involved in the oil business; a sector largely controlled by "siloviki". Assuming that the check (which revealed serious economic violations) was initiated by SCC headed by Chairman Zyanon Lomat as well as Ministry of Internal Affairs representatives, the KGB resorted to unprecedented measures.
- On July 12, 2007 in Mogilev four people in civilian dress feigned as officials from the Ministry of Internal Affairs and beat up SCC Chairman Zyanon Lomat. On apprehension, they were revealed to be KGB and Security Council officials. As a reaction to the incident, Lukashenka sacked Stsyapan Sukharenka, KGB Chairman and his deputy Vasil Dzemyantsey, although the dismissal was assumed by many to be initiated by representatives of the MIA Anticorruption Unit. Lukashenka-loyal Yury Zhadobin was then subsequently appointed as KGB Chairman. During a speech at a KGB working meeting on July 19 2007, Lukashenka claimed that KGB officials got "overly involved" in commercial matters and would be severely punished ("with their arms cut up to their shoulders"⁵).
- At the end of July 2007 many believed Lomat and his SCC were protecting the interests of the Minister of Internal Affairs Uladzimir Naumau, and that Aliaksander Lukashenka was about to appoint Naumau as Prime Minister instead of Syarhei Sidorsky. Although such protection indicated that back in July 2007 Sheyman controlled both the SCC and MIA with Lomat's beating viewed as Sheyman's attempt to regain control over MIA, it seems the opposite was the case. In July, Minister of Interior Naumau, as well as SCC Chief Lomat, were in fact closely following Lukashenka's instructions. These developments confirm that back in July 2007 such large-scale redistribution of powers was hardly possible if it were not for Lukashenka's eldest son supporting Lomat, the "attack victim".

Siloviki: leaving the stage

⁴ In March 2006 Anatoly Tozik (then Chairman of the State Control Committee 'SCC' and Sheyman's) was replaced by Zyanon Lomat, representative of the "Shklov-Mahiliou" clan and an old friend of the Presidents.

⁵ Authors' own source. According to the sacked Sukharenka in an interview in April of this year, KGB officials deemed the likelihood of being sent to jail at that time as highly probable.

In the early morning of July 4 this year, during the Independence Day celebrations in Minsk, a handmade bomb stuffed with bolts and nuts exploded leaving 51 people wounded. Four days later, Lukashenka suspended Viktor Sheyman, pointing to his incompetence in the organization of the celebrations, along with Sheyman's ally, Hennadz Navygliaz, the head of the Presidential administration. Former KGB chief and staunch supporter of the President Yury Zhadobin has now been appointed to head the Security Council. Zhadobin is not a technocrat; his appointment is thus an indication of the deep personal trust bestowed on him by the Lukashenkas, regardless of his position in the elite. Interestingly, Navygliaz's replacement was named as Uladzimir Matei, a confidante of the President's son Viktor.

Sheyman's removal seems to be another sign of the irreversible process of change currently engulfing the ruling elite, which will no doubt have implications for both the domestic and foreign policy of Belarus. Lukashenka's decision seems to draw a definitive line under the affair by effectively cutting off Sheyman's group. This does not mean that Sheyman will be blamed for the bomb attack. The President understands he must keep Sheyman by his side; Sheyman knows too much. Possibly, Lukashenka might instruct him to carry out certain difficult activities such as launching an "anticorruption campaign" to "cleanse" the ruling structures of possible opponents.

The main implication for Sheyman is clearly that he can no longer claim to be the state's 'person no.2', instead becoming a mere "technical" figure. This in turn, means his group, the siloviki, has lost now their protector and thus much of their influence over setting the political agenda. Put simply, Sheyman's seat as one of the agenda setters in Belarus is now occupied by others. The implications on the siloviki of such a change in the elite are substantial. They must now choose to continue in their position and face little prospects to influence, or simply switch sides to support Viktor Lukashenka and the technocrats.

Technocrats: Governing "po Belaruskay"

The Belarus "technocrats" have so far been concerned with shielding themselves from the influence of the siloviki and ensuring their work goes on uninterrupted. Sheyman's shaky position and the enhanced role of Viktor Lukashenka (viewed as a guaranteed defense from Sheyman) remain their major forms of protection. This latter guard against the siloviki is grounded in the common political interests of Prime Minister Sidorsky's team ("technocrats") and those of Viktor Lukashenka.

Prime Minister Sidorsky and his "network" are argued to have contributed greatly to Viktor Lukashenka's political growth whilst he held the post of Deputy Director of the External Economic Department of Agat⁶ between 2003 and 2005. In terms of doing business with each other, Viktor Lukashenka chose to share the substantial revenues from his property construction projects with technocrats, thus shutting out Sheyman and the siloviki⁷.

This distrust between Viktor Lukashenka and Sheyman's siloviki goes back a long way. Lukashenka's eldest son graduated from the International Relations Faculty of the Belarus State University where he studied economics, hence his "cleaner" approach toward business

⁶ Agat produces mainly "military" automatic control systems. In Belarus, the senior management of Military Industrial Complex (MIC) is not an independent group – they are all "technocrats". G. Sinogovsky, General Director of Minsk Wheel Tractor Factory [one of the major MIC enterprises in the country] who faced criminal charges in 2005, was released upon Sidorsky's appeal.

⁷ According to Belarusian economist Leonid Zaiko, the real estate market in Belarus is as profitable as the firearm market. The cost of 1 sq.m construction space in Minsk is \$350-500, while the market price of 1 sq.m. is \$2000. Market prices for "elite" housing in Minsk comprises \$3000-4000 per sq.m

than the more criminal stance of the siloviki. He, like many technocrats, believes Sheyman's siloviki are simply a "gang".⁸

Viktar Lukashenka and the technocrats also have a common understanding of "nomenclature privatization". To some extent, the technocrats were using Viktar Lukashenka to eliminate obstacles to illegal privatization. After the defeat of Sheyman as the coordinator of anticorruption campaigns in July 2007, no one took Lukashenka's threats of "cutting off the arms" of the supporters of nomenclature privatization seriously. Sheyman and his group were utilized simply as a tool restraining nomenclature ambitions within the state privatization sector, but this relationship has now changed.

The technocrats have been successful in exercising their influence particularly in the privatization process, which was viewed from the outset of the operation. Back in April 2006 President Lukashenka claimed that the nomenclature was secretly lobbying for privatization and threatened to inflict reprisals. Regardless of this, September 2007 saw nomenclature representatives making their intentions clear, with the Prime Minister and others beginning to promote the idea of state privatization to attract foreign investments; albeit with a caveat against Russian oligarchs, with bring with them the unwelcome dominance of the Kremlin over Belarus' economy. Lukashenka took no follow-up action and in fact, signed a number of decrees allowing purchase of state property by nomenclature agents.

In March 2008 National Bank representatives authorized the purchase of as much as 20% in shares in any Belarusian bank and company by bank officials. The resolution also provided the opportunity for Belarusian nomenclature to obtain shares in Belarus industrial enterprises. Thus in April 2008, the management of Belarusian Railways announced their privatization campaign launch. The nomenclature was thus granted the opportunity to buy shares from enterprise owners with less privileged status and power. The procedure of real estate purchase was another area where technocrats gained hold. The State Property Committee suggested in April of this year to restrict Presidential power to control deals exceeding 1 million of the basic value.⁹ Thus, property deals not exceeding \$16,5 million are suggested to be "passed on" to the State Property Committee whose members are apparently open to compromise; another coup for the technocrats.

Here come the Lukashenkas: But Which One?

If the Lukashenkas are able to carry on this transition with no serious objections from the elite whilst keeping the security structures under their control, the question remains for 2011 which of them will run for President. If Lukashenka senior shows the determination and strength to run, he will be "re-elected". So far, it is likely that only in the case that he is deemed too unwell will his eldest son step in to succeed him. Interestingly, during a speech on April 28 2008 at a parliamentary working session, the President claimed he "would not join any political party after resigning". This statement speaks for itself.

Aliaksander Lukashenka was born in 1954 and will turn 57 in 2011. The postponement of the last inauguration and other events during April 2006 indicated that Lukashenka was facing serious health problems. His eldest son, Viktar, was born in November 1975. He will turn 35 and be eligible to run for presidency in November 2011.

⁸ Government officials with "elite" educational background call Sheyman and his henchmen a "gang" and despise them. Now "technocrats" have a possibility to demonstrate disrespect to those whom they were previously afraid.

⁹ 1 basic value = 35 000 BYR (USD 16,5). President Lukashenka currently controls all state property deals exceeding 10 000 of the basic value.

Recent developments in Belarus (the strengthening of the technocrats' position, etc) clearly demonstrate the possibility that "technocrats" may interfere with the 2011 presidential "election" process. They may be strong enough to force Lukashenka to let his son take over the presidency; not being able to stage their own, "better" candidate. During the rest of Lukashenka's presidency Belarusian technocrats will no doubt seek to appropriate as much state property objects as possible.

Nevertheless, after the privatization process is accomplished, the nomenclature will be strongly interested in receiving guarantees on the protection of their own property. Rule of law, common regulations applicable to all senior state officials and not one person (e.g. presidential) will be the guarantees this new elite will look for. Large-scale cadre rotation and anticorruption campaigns (i.e. redistribution of powers and property within the ruling "vertical" structures) remain possible acts for the rest of Lukashenka's presidency. Aliaksander Lukashenka is not able to provide the necessary guarantees to the new elite, although this may be a difference story for Viktor Lukashenka. His accession to power will also provide certain opportunities for the nomenclature to legitimize its status within Belarusian society. Last but not least, the new elites are likely to lean more toward the European Union as a greater guarantee of economic stability than Russia, thus encouraging the possibility that Viktor Lukashenka may bring Belarus closer to Europe.

Viktar Lukashenka might himself take further steps to ensure a smooth handover of political power.¹⁰ Regardless of this, a rotation of the presidency between the Lukashenkas is viewed as the only way out of the current economic and political situation in Belarus. None of the main actors in this drama including the West, Russia, the Belarusian opposition, society or nomenclature, are able at this current stage to dismiss Aliaksander Lukashenka or replace him with any effective political figure other than Viktor Lukashenka. In the end, that might actually be the family strategy.

¹⁰ Pressure on Sheyman's team continued after the attack on KGB with many viewing this as part of a ploy by Viktor Lukashenka to tighten his grip on major financial assets previously controlled by Sheyman.